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UNCLAS SECTION 01 OF 02 SANTO DOMINGO 001731

SIPDIS

SENSITIVE

STATE FOR WHA, WHA/CAR, WHA/PPC, WHA/EPSC;
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E.O. 12958: N/A

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SUBJECT: DOMINICAN SENATE ACTS ON BOND BILLS; MORE REMAINS
TO BE DONE

1. (U) In the evening of March 29, the Dominican Senate unanimously approved all but one of the bond authorizations needed to ensure compliance with the nation's 2005 budget and the IMF standby accord. The authorization to renegotiate external (sovereign) bonds issued in 2001 and 2003 will now become law, and the internal bond authorizations will go to the lower house for approval. The one bond bill still pending -- to enable redemption of internal bonds issued in 1999 -- will await receipt of an explanation of the interest rate on the new bonds requested by Senator Ramon Alburquerque (PRD). The Senate also approved a World Bank loan for technical assistance to the financial sector and an IDB loan to strengthen bank supervision.

2. (U) The World Bank technical assistance loan for the electrical sector did not come up in the session. Failure to pass this would endanger the USD 150 million loan from the World Bank planned for the sector.

3. (SBU) Prior to the session, opposition PRD senators got the green light from PRD president Vicente Sanchez Baret. The Senate assembled with a quorum of 30 out of 32, representing all four political parties. But Senate PRD spokesman Anibal Garcia Duverge warned that passage of the bills did not absolve the government of rehiring public teachers, agronomists, and health care professionals whose recent dismissals had been protested by the PRD.

4. (SBU) Sen. Alburquerque's posturing on the one bond bill is attributable to his candidacy to become the next party president, in a vote of PRD members to be held soon. The five-week blockage of Senate legislation that ended yesterday has been resolved, but does not bode well for executive-legislative cooperation until August 2006, when a newly elected Congress -- perhaps less dominated by one opposition party -- will take office.

Background

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5. (SBU) On the agenda at the March 29 Senate meeting were bills authorizing external bond restructuring, issuance of internal bonds (worth RD pesos 8.282 billion, or USD 285 million), a World Bank loan for USD 7.3 million for technical assistance to the electricity sector, another USD 12.5 million World Bank loan for technical assistance to the financial sector, and an IDB loan for USD 6.6 million to strengthen banking supervision.

6. (SBU) On March 21, the opposition PRD for the third time since February 22 had used its control of Congress to block a vote on government-proposed legislation. The PRD has continued to smart over government investigations into alleged wrongdoing by officials of the previous administration and what some in the party believe to have been politically motivated firings of public teachers, agronomists, and medical personnel after President Fernandez (PLD) took office last year. Despite an understanding that Fernandez would review the dismissals and re-hire some of the former employees, the PRD maintains that no action has been taken. Ex-president Hipolito Mejia (PRD) on May 18 announced a "truce" with Fernandez to ensure "governability" and declared a recess on political activities during the local Easter holidays, but let it be known that Congressional business should also wait until the following week.

7. (SBU) Senate President Andres Baustista (PRD) met with the government March 22 and obtained new assurances of the reinstatements. Then he managed to convoke 17 of 32 senators to approve the delayed bills; the remaining 11 PRD senators stayed away on Mejia's orders. Alerted that the session was about to begin, Mejia cell-phoned another PRD senator -- a kinsman -- who was in the session and told him to leave. The senator walked out, followed by two others, leaving 14 in the chamber and forcing Baustista to postpone the session until yesterday. The day after the walkout, March 23, Finance Minister Vicente Bengoa and Technical Secretary of

the Presidency Temistocles Montas warned that approval of the bond bills would be essential for compliance with the nation,s IMF program and payment of Paris Club obligations.

18. (U) This piece and others in our series can be consulted on our classified SIPRNET site <http://www.state.sgov.gov/p/wha/santodomingo/> along with extensive other material.
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